



General Assembly

February Session, 2012

Raised Bill No. 5362

LCO No. 1551

01551_____HED

Referred to Committee on Higher Education and Employment
Advancement

Introduced by:
(HED)

***AN ACT CONCERNING A DEDUCTION FROM THE PERSONAL
INCOME TAX FOR STUDENT LOAN INTEREST.***

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Subparagraph (B) of subdivision (20) of section 12-701 of
2 the general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective July 1, 2012, and applicable to taxable years commencing*
4 *on or after January 1, 2012*):

5 (B) There shall be subtracted therefrom (i) to the extent properly
6 includable in gross income for federal income tax purposes, any
7 income with respect to which taxation by any state is prohibited by
8 federal law, (ii) to the extent allowable under section 12-718, exempt
9 dividends paid by a regulated investment company, (iii) the amount of
10 any refund or credit for overpayment of income taxes imposed by this
11 state, or any other state of the United States or a political subdivision
12 thereof, or the District of Columbia, to the extent properly includable
13 in gross income for federal income tax purposes, (iv) to the extent
14 properly includable in gross income for federal income tax purposes
15 and not otherwise subtracted from federal adjusted gross income

16 pursuant to clause (x) of this subparagraph in computing Connecticut
17 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
18 extent any additional allowance for depreciation under Section 168(k)
19 of the Internal Revenue Code, as provided by Section 101 of the Job
20 Creation and Worker Assistance Act of 2002, for property placed in
21 service after December 31, 2001, but prior to September 10, 2004, was
22 added to federal adjusted gross income pursuant to subparagraph
23 (A)(ix) of this subdivision in computing Connecticut adjusted gross
24 income for a taxable year ending after December 31, 2001, twenty-five
25 per cent of such additional allowance for depreciation in each of the
26 four succeeding taxable years, (vi) to the extent properly includable in
27 gross income for federal income tax purposes, any interest income
28 from obligations issued by or on behalf of the state of Connecticut, any
29 political subdivision thereof, or public instrumentality, state or local
30 authority, district or similar public entity created under the laws of the
31 state of Connecticut, (vii) to the extent properly includable in
32 determining the net gain or loss from the sale or other disposition of
33 capital assets for federal income tax purposes, any gain from the sale
34 or exchange of obligations issued by or on behalf of the state of
35 Connecticut, any political subdivision thereof, or public
36 instrumentality, state or local authority, district or similar public entity
37 created under the laws of the state of Connecticut, in the income year
38 such gain was recognized, (viii) any interest on indebtedness incurred
39 or continued to purchase or carry obligations or securities the interest
40 on which is subject to tax under this chapter but exempt from federal
41 income tax, to the extent that such interest on indebtedness is not
42 deductible in determining federal adjusted gross income and is
43 attributable to a trade or business carried on by such individual, (ix)
44 ordinary and necessary expenses paid or incurred during the taxable
45 year for the production or collection of income which is subject to
46 taxation under this chapter but exempt from federal income tax, or the
47 management, conservation or maintenance of property held for the
48 production of such income, and the amortizable bond premium for the
49 taxable year on any bond the interest on which is subject to tax under

50 this chapter but exempt from federal income tax, to the extent that
51 such expenses and premiums are not deductible in determining federal
52 adjusted gross income and are attributable to a trade or business
53 carried on by such individual, (x) (I) for a person who files a return
54 under the federal income tax as an unmarried individual whose
55 federal adjusted gross income for such taxable year is less than fifty
56 thousand dollars, or as a married individual filing separately whose
57 federal adjusted gross income for such taxable year is less than fifty
58 thousand dollars, or for a husband and wife who file a return under
59 the federal income tax as married individuals filing jointly whose
60 federal adjusted gross income for such taxable year is less than sixty
61 thousand dollars or a person who files a return under the federal
62 income tax as a head of household whose federal adjusted gross
63 income for such taxable year is less than sixty thousand dollars, an
64 amount equal to the Social Security benefits includable for federal
65 income tax purposes; and (II) for a person who files a return under the
66 federal income tax as an unmarried individual whose federal adjusted
67 gross income for such taxable year is fifty thousand dollars or more, or
68 as a married individual filing separately whose federal adjusted gross
69 income for such taxable year is fifty thousand dollars or more, or for a
70 husband and wife who file a return under the federal income tax as
71 married individuals filing jointly whose federal adjusted gross income
72 from such taxable year is sixty thousand dollars or more or for a
73 person who files a return under the federal income tax as a head of
74 household whose federal adjusted gross income for such taxable year
75 is sixty thousand dollars or more, an amount equal to the difference
76 between the amount of Social Security benefits includable for federal
77 income tax purposes and the lesser of twenty-five per cent of the Social
78 Security benefits received during the taxable year, or twenty-five per
79 cent of the excess described in Section 86(b)(1) of the Internal Revenue
80 Code, (xi) to the extent properly includable in gross income for federal
81 income tax purposes, any amount rebated to a taxpayer pursuant to
82 section 12-746, (xii) to the extent properly includable in the gross
83 income for federal income tax purposes of a designated beneficiary,

84 any distribution to such beneficiary from any qualified state tuition
85 program, as defined in Section 529(b) of the Internal Revenue Code,
86 established and maintained by this state or any official, agency or
87 instrumentality of the state, (xiii) to the extent allowable under section
88 12-701a, contributions to accounts established pursuant to any
89 qualified state tuition program, as defined in Section 529(b) of the
90 Internal Revenue Code, established and maintained by this state or
91 any official, agency or instrumentality of the state, (xiv) to the extent
92 properly includable in gross income for federal income tax purposes,
93 the amount of any Holocaust victims' settlement payment received in
94 the taxable year by a Holocaust victim, (xv) to the extent properly
95 includable in gross income for federal income tax purposes of an
96 account holder, as defined in section 31-51ww, interest earned on
97 funds deposited in the individual development account, as defined in
98 section 31-51ww, of such account holder, (xvi) to the extent properly
99 includable in the gross income for federal income tax purposes of a
100 designated beneficiary, as defined in section 3-123aa, interest,
101 dividends or capital gains earned on contributions to accounts
102 established for the designated beneficiary pursuant to the Connecticut
103 Homecare Option Program for the Elderly established by sections 3-
104 123aa to 3-123ff, inclusive, (xvii) to the extent properly included in
105 gross income for federal income tax purposes, fifty per cent of the
106 income received from the United States government as retirement pay
107 for a retired member of (I) the Armed Forces of the United States, as
108 defined in Section 101 of Title 10 of the United States Code, or (II) the
109 National Guard, as defined in Section 101 of Title 10 of the United
110 States Code, [and] (xviii) to the extent properly includable in gross
111 income for federal income tax purposes for the taxable year, any
112 income from the discharge of indebtedness in connection with any
113 reacquisition, after December 31, 2008, and before January 1, 2011, of
114 an applicable debt instrument or instruments, as those terms are
115 defined in Section 108 of the Internal Revenue Code, as amended by
116 Section 1231 of the American Recovery and Reinvestment Act of 2009,
117 to the extent any such income was added to federal adjusted gross

118 income pursuant to subparagraph (A)(x) of this subdivision in
119 computing Connecticut adjusted gross income for a preceding taxable
120 year, and (xix) to the extent allowable under section 2 of this act, the
121 amount of payments made during the taxable year for interest on a
122 student loan.

123 Sec. 2. (NEW) (*Effective July 1, 2012, and applicable to taxable years*
124 *commencing on or after January 1, 2012*) (a) For purposes of this section:

125 (1) "Qualified student loan" means a loan taken out solely to pay
126 qualified education expenses (A) for the taxpayer, taxpayer's spouse or
127 a person who was a dependent of the taxpayer at the time when the
128 taxpayer took out the loan, (B) paid or incurred within a reasonable
129 period of time before or after the taxpayer took out the loan, and (C)
130 for education provided during an academic period for an eligible
131 student;

132 (2) "Qualified education expenses" means the total costs of attending
133 an eligible institution of higher education, including graduate school,
134 and includes amounts paid for the following items: (A) Tuition and
135 fees; (B) room and board, provided the cost of room and board
136 qualifies only to the extent that it is not more than the greater of (i) the
137 allowance for room and board, as determined by the eligible
138 institution of higher education, that was included in the cost of
139 attendance for a particular academic period and living arrangement of
140 the student, or (ii) the actual amount charged if the student is residing
141 in housing owned or operated by the eligible institution of higher
142 education; (C) books, supplies and equipment; and (D) other necessary
143 expenses, including, but not limited to, transportation;

144 (3) "Eligible institution of higher education" means any institution of
145 higher education that is eligible to participate in a student aid program
146 administered by the United State Department of Education; and

147 (4) "Eligible student" means a student who is or was enrolled at least
148 half-time in a certificate or degree program at an eligible institution of

149 higher education.

150 (b) The maximum annual modification under subparagraph (B)(ix)
 151 of subdivision (20) of subsection (a) of section 12-701 of the general
 152 statutes, as amended by this act, shall be equal to the amount of
 153 interest paid on a qualified student loan, but shall not exceed two
 154 thousand five hundred dollars for each taxpayer, provided (1) the
 155 taxpayer's filing status is any filing status except married filing
 156 separately, (2) no other person is claiming an exemption for the
 157 taxpayer on such other person's return, (3) the taxpayer is legally
 158 obligated to pay interest on a qualified student loan, (4) the taxpayer
 159 paid interest on a qualified student loan, and (5) the taxpayer's
 160 modified adjusted gross income is less than seventy-five thousand
 161 dollars or less than one hundred fifty thousand dollars for taxpayers
 162 filing a joint return.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2012, and applicable to taxable years commencing on or after January 1, 2012</i>	12-701(20)(B)
Sec. 2	<i>July 1, 2012, and applicable to taxable years commencing on or after January 1, 2012</i>	New section

Statement of Purpose:

To establish a deduction from the personal income tax for interest paid on student loans.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]